

Message Text

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PAGE 01 STATE 097657
ORIGIN EA-09

INFO OCT-01 ISO-00 EB-08 L-03 H-01 INR-07 PM-04 PRS-01
SP-02 SS-15 OES-06 /057 R

DRAFTED BY EA/IMS:ADORNHEIM:LRR
APPROVED BY EA - ERLAND H. HEGINBOTHAM
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P 292350Z APR 77
FM SECSTATE WASHDC
TO AMEMBASSY JAKARTA PRIORITY

C O N F I D E N T I A L STATE 097657

STADIS //////////////////////////////////////

E.O. 11652: GDS

TAGS:ENRG, ID

SUBJECT:INDONESIAN LNG FOR CALIFORNIA

REF: JAKARTA 5465

1. WE HAVE A PROBLEM IN ANSWERING POINTS RAISED REFTEL.
DETAILS OF NATIONAL ENERGY PROGRAM CONCERNING LNGIMPORTS HAVE
BEEN AMENDED AND COUNTER-AMENDED FREQUENTLY, AND WE DO NOT
YET HAVE FINAL VERSION OF PROGRAM "PACKAGE" WHICH INCLUDES
PROPOSED IMPLEMENTING LEGISLATION. "PACKAGE" IS REPORTEDLY
BEING ISSUED TODAY, BUT EVEN THIS COULD BE DELAYED. WE
UNDERSTAND USIA WILL BE POUCHING COPIES OF "PACKAGE" TO ALL
INTERESTED POSTS.

2. VERSION OF PROGRAM WE HAVE DOES PROPOSE ELIMINATION OF
EXIM AND MARAD FACILITIES, AS MENTIONED STATE 91459. WHEN
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WE ASKED MARAD GENERAL COUNSEL WHETHER PROPOSED DENIAL OF
MARAD TITLE XI GUARANTEES WOULD BE RETROACTIVE, HE SAID HE
HAD HEARD THIS PROVISION OF PROGRAM HAD BEEN DELETED IN
FINAL "PACKAGE". IN ANY EVENT, HE AFFIRMED THAT THERE WOULD
BE NO RETROACTIVE CANCELLATION OF MARAD TITLE XI GUARANTEES
GIVEN IN BURMAH/GENERAL DYNAMICS CASE.

3. VERSION OF PROGRAM WE HAVE DID CONTAIN SENTENCE, "AMERI-

CAN BARGAINING LEVERAGE WOULD BE INCREASED BY CONDITIONING
FEDERAL POWER COMMISSION CERTIFICATION ON A UNITED STATES
RIGHT TO CANCEL A CONTRACT". WE ARE TOLD THAT UPON
RECONSIDERATION, PROGRAM'S DRAFTERS REMOVED OR SUBSTAN-
TIALY AMENDED THIS SENTENCE.

4. FPC STAFF MEMBER REPORTS TRUNKLINE DECISION BEING
ISSUED APRIL 29 AND WILL PROVIDE FOR SOME FORM OF COMMIS-
SION REVIEW OF PRICE ESCALATIONS ABOVE AN INITIALLY
DETERMINED PRICE. SOME FORM OF INCREMENTAL (RATHER THAN
ROLLED-IN) PRICING WILL REPORTEDLY ALSO BE REQUIRED. WILL
HAVE DETAILS NEXT WEEK AND WILL POUCH COPY OF DECISION.

5. O'ROURKE SAID HE WILL NOW BE PROPOSING MAY 18, 19 OR
20 AS AN ARRIVAL DATE TO PERTAMINA. HE ADDED THAT AT
APRIL 27 HEARING IN CALIFORNIA ASSEMBLY ON LNG TERMINAL
SITING BILLS, GOVERNOR BROWN'S REPRESENTATIVE SAID BROWN
HOPED INDUSTRY AND ENVIRONMENTALISTS COULD WORK OUT THEIR
DIFFERENCES THEMSELVES BUT THAT HE PREFERRED AN OFFSHORE
SITE, IF POSSIBLE. O'ROURKE COMMENTED THAT WHILE OFFSHORE
TERMINAL IS TECHNICALLY FEASIBLE, COMPANY'S ESTIMATE IS
THAT IT MIGHT EASILY TAKE TWO YEARS TO PREPARE FEASIBILITY
STUDY AND ENVIRONMENTAL IMPACT STATEMENT AND COMPLETE
LEGISLATIVE AND REGULATORY PROCESSES. INDONESIANS, HE
THOUGHT, WOULD NOT STAND FOR SUCH FURTHER DELAY.

6. WE HAVE NOT CHOSEN TO PRESS O'ROURKE HARD ON COMPANY'S
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COMMITMENT TO PROJECT IN LIGHT OF PROSPECTIVE "FREEING-UP"
OF DOMESTIC NATURAL GAS (PARA 6, STATE 91459). O'ROURKE
MAINTAINS PACIFIC LIGHTING STILL FIRMLY COMMITTED, BUT
HIS ARGUMENTS NOT TOO WELL ARTICULATED. PRESUMABLY,
PL WOULD NOT WISH TO HASTILY ABANDON A PROJECT WHEN
AVAILABILITY OF ALTERNATIVE U.S. NATURAL GAS SUPPLIES IS
BY NO MEANS ASSURED. IN THIS CONNECTION, MEXICANS HAVE
RECENTLY INDICATED THEIR WILLINGNESS EXPORT UP TO 0.7
TCF OF GAS TO U.S. SOME OF THIS COULD GO TO CALIFORNIA
AND GOVERNOR BROWN HAS BEEN IN CONTACT WITH MEXICANS TO
THIS END.
CHRISTOPHER

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